

Message Text

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ACTION PM-07

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P R 141345Z AUG 74

FM AMEMBASSY QUITO

TO SECSTATE WASHDC PRIORITY 2112

CSAF PRIORITY

INFO DOD

USCINCSO

USAFSO

C O N F I D E N T I A L QUITO 5349

E.O. 11652: GDS

TAGS: MASS, EC

SUBJECT: A-37B SALE TO ECUADOR

REF: QUITO 5284

1. CESSNA VICE PRESIDENT FOR MILITARY SALES D.D. FRYE CAME IN TO THE EMBASSY MORNING AUGUST 13 TO BRIEF US FURTHER ON HIS DISCUSSIONS WITH THE GOE REGARDING DIRECT PURCHASE OF A-37B'S. HE HAS BEEN PRESSING THE GOE TO FOREGO FMS PURCHASE IN FAVOR OF A DIRECT SALE, USING AS A TACTIC THE ARGUMENTS THAT 1) IF FIRM ORDERS HAVE NOT BEEN OBTAINED BY CESSNA BY AUGUST 31, THE COMPANY MAY HAVE TO CURTAIL A-37 PRODUCTION; 2) IF ORDERS ARE SUBSEQUENTLY RECEIVED, THEY WILL BE AT HIGHER PRICES THAN THOSE PRESENTLY OBTAINING, AND 3) IF ORDERS ARE PLACED AFTER AUGUST 31, DELIVERY TIME WILL PROBABLY SLIP INTO 1977. FRYE HAS ALSO APPARENTLY BEEN SAYING THAT CESSNA IS UNLIKELY TO BE ABLE TO GET A FIRM LETTER OF OFFER TO DOD BEFORE THE THIRD WEEK IN AUGUST, AND, THEREFORE, THAT IT IS UNLIKELY THAT THE USG WILL BE ABLE TO DELIVER SUCH A LETTER TO THE GOE BEFORE THE MIDDLE OF SEPTEMBER.

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2. AS WASHINGTON ADDRESSEES ARE AWARE, THIS IS THE FIRST SIGNIFICANT FMS SALE TO ECUADOR, A COUNTRY OVER WHICH WE HAVE WORKED VERY HARD IN ORDER TO REPAIR PAST STRAINED RELATIONS. IT IS VERY MUCH IN THE USG INTEREST TO SEE THIS SALE GO SMOOTHLY. WE ARE CONCERNED IN PRINCIPLE ABOUT CESSNA'S RUNNING INTERFERENCE WITH THE GOE, BUT MORE SO BECAUSE OF THE DIRECT IMPLICATION TO THE GOE THAT 1) THE USG IS NOT GOING TO BE ABLE TO PRODUCE A FIRM LETTER OF OFFER BEFORE THE AUGUST 31 CESSNA PRODUCTION "DEADLINE"; 2) THE CONSIDERABLE HIGHER PRICE THAT FRYE HAS BEEN QUOTING TO THE GOE; AND 3) THE REACTION OF THE GOE TO THE POSSIBILITY OF SLIPPAGE OF DELIVERY OF AIRCRAFT IF THEY DON'T GET THEIR ORDER IN.

3. CSAF MESSAGE 021615 AUG 74, CORROBORATING STATE 161900 OF JULY 25TH, INDICATED THAT WE COULD EXPECT TO PRESENT A FIRM LETTER OF OFFER FOR THE A-37B'S TO THE GOE SHORTLY AFTER THE MIDDLE OF AUGUST. WE SO INFORMED THE GOE, WHO HAVE TAKEN US AT OUR WORD. THE GOE HAS ALSO MADE CLEAR THAT IT PREFERS THE FMS ROUTE TO DIRECT PURCHASE.

4. WE WANT VERY MUCH TO KEEP THIS ON THE TRACK WHICH HAS BEEN CAREFULLY PREPARED WITH MUCH ASSISTANCE FROM ADDRESSEES, AND WOULD BE GRATEFUL FOR CONFIRMATION THAT A FIRM LETTER OF OFFER CAN BE DELIVERED IN TIME TO PRECLUDE PRICE HIKES OF THE MAGNITUDE FRYE HAS BEEN MENTIONING, OR DELAYED DELIVERY BEYOND WHAT THE ECUADOREANS HAVE BEEN LED TO EXPECT (I.E. FEBRUARY OF 1976). IT WOULD BE HELPFUL IF WE COULD BE INSTRUCTED TO REASSURE THE GOE THAT THERE IS NO DANGER OF TERMINATION OF A-37 PRODUCTION. WE EXPECT, HOWEVER, QUESTIONS FROM THE GOE IN THE IMMEDIATE FUTURE REGARDING USG PROMISES OF A FIRM LETTER OF OFFER WITHIN THE NEXT WEEK OR SO.
BREWSTER

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